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STATEMENT

of

U.S. ECONOMIC DEFENSE POLICY

GENERAL POLICY

1. The continued threats* to the security of the free world posed by the Sino-Soviet bloc warrants the application against that bloc of such economic defense measures by the United States and by the free world as will retard the growth of the war potential of the bloc and reduce its unity. Our attitude and program must be one which will not increase the possibility of war, but rather one which will keep open paths which might lead to a sounder basis for peace. During this period, the courses we take should be based upon the assumption that interference in the trade between the free world and the Sino-Soviet bloc should take place only where a clear advantage to the free world would accrue from such interference. They should also be based upon the assumption that the maintenance of personal, cultural, and commercial contacts between the free world and the European Soviet bloc may have positive advantages during this period of tension and watchfulness.

* The nature and duration of the threat are described in NSC 5707/8, June 3, 1957, (TS) and JIC 636/4, August 24, 1956 (SECRET).

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2. The economic defense program should be framed and administered with full recognition of the fact that the economic defense system of the free world is part of the larger system of military and political alliances and, like them, depends upon the cooperative efforts of the free nations. The United States should participate in free-world collective arrangements in the field of trade controls. Accordingly, in determining the economic defense measures which the United States should adopt and those to be urged on other nations, the impact upon the existing system of economic defense as a whole, and upon the free-world military and political alliances, should be taken into account. Similarly, in multilateral military and political discussions, consideration should be given to the impact of their courses of action upon and support to be derived from the economic defense program. Political conditions generally, and economic conditions in some individual countries, may make substantial intensification of multilateral controls with respect to the Sino-Soviet bloc impractical for the foreseeable future, in the absence of a marked worsening of international tensions.

3. The United States should maintain such unilateral controls as will have a significant effect on the growth of the war potential of the Sino-Soviet bloc or will effectively support other U.S. policies or fulfill U.S. legislative requirements.

4. The problems posed for our allies by trade controls should be given appropriate weight in determining the controls which the United States should advocate that the free world exercise in its economic relations with the Sino-Soviet bloc. Extensions or reductions of the multilateral controls should be proposed or supported, whenever justified by new technology, new intelligence or altered evaluation of the significance of particular imports to the Sino-Soviet bloc.

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5. The controls should be so applied as to support U.S. policy with respect to encouraging and assisting bloc satellites to achieve and maintain national self-determination and independence.

6. The United States should avoid, and seek to have other friendly countries avoid, becoming excessively dependent on the Sino-Soviet bloc as a market or as a source of supply.

7. So long as it is considered to be in the U.S. interest, there should continue to be applied against Communist China* more severe controls than are applied against the remainder of the Soviet bloc. At such time as it is judged to be in the U.S. interest to do so, the controls toward Communist China should be revised.

8. (Would apply to paragraph 21, Alternative C - if adopted).

[In recognition of the continuing threat of Communist China to the free world which may be more fully accepted by some individual countries than by multilateral bodies, the United States should continue, wherever feasible and desirable, to encourage individual free world countries to maintain unilateral trade controls toward Communist China at a more restrictive level than is maintained multilaterally.]

COURSES OF ACTION

9. Alternative A: (Proposed by State, Treasury, ICA and MDAC):

"Seek to maintain a multilateral security trade control structure and control measures developed thereunder, making appropriate and timely adjustments in those measures to reflect changes in the vulnerabilities within the Sino-Soviet bloc or to improve cooperation and increase effectiveness."

* Communist China as used throughout this paper includes North Korea.
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9. Alternative B: (Proposed by Commerce, Defense and ODM):

"Seek,

- a. To achieve an effective multilateral security trade control structure and to maintain the control measures developed thereunder.
- b. To achieve a common understanding and support of the multilateral control objectives, criteria and procedures essential to an effective economic defense program.
- c. To make appropriate and timely adjustments to reflect changes in Sino-Soviet bloc vulnerability, secure cooperation or increase effectiveness."

10. Seek to maintain and, as necessary, extend the bilateral arrangements with free-world countries (non-CG countries) to obtain support for multilaterally agreed controls.

11. Maintain toward the European Soviet bloc U.S. export controls over multilaterally agreed items and over such other materials, equipment, technology and services as can be so unilaterally controlled by the U.S. as to achieve a worthwhile adverse impact on the war potential of the European Soviet bloc, or can effectively serve other U.S. policy objectives judged by the U.S. control authorities to warrant the use of unilateral controls; and take all appropriate measures as will effectively enforce these controls and prevent their frustration.

12. Approve, as a general rule, for shipment from the U.S. to the European Soviet bloc, commodities not controlled under paragraph 11 above, and, where appropriate, remove the requirement of specific licenses for such shipments to the entire European Soviet bloc.

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13. Make appropriate and timely unilateral adjustments and seek appropriate multilateral adjustment in the scope and severity of controls maintained toward selected European satellites of the USSR, as feasible, to encourage and support progress toward national self determination and independence.

14. Enhance the utility of evaluated intelligence pertaining to economic defense problems.

15. Seek the adoption of effective measures to enforce the agreed scope and severity of the multilateral controls and increase the scope and effectiveness of multilateral exchanges and cooperation in the enforcement field.

16. Seek a close association with NATO and other security alliances and, where feasible, obtain their consideration and advice on appropriate economic security problems.

17. Seek agreement to utilize the multilateral control structure for studies and exchanges of views regarding all Sino-Soviet trade practices which appear to be inimical to the free world.

18. Encourage free world countries to resist Sino-Soviet economic penetration and to avoid excessive dependence on trade with the Sino-Soviet bloc; foster the development of necessary markets and sources of supply within the free world.

19. Administer current U.S. programs, such as economic development, military and other governmental procurement, defense support, stockpiling, disposal of surplus goods and properties, and similar activities, in such a way as to take into appropriate account the objectives of the economic defense program.

20. Maintain the current level of U.S. unilateral export, import and financial controls applied against Communist China. ^{1/}

^{1/} See page 3 of NSC 5704/1 and pick up footnote as necessary.

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21. Alternative A: (Proposed by State and Treasury):

"In order to inhibit the military growth of Communist China and to detract from its war-making potential by exploiting its strategic vulnerability, the U.S. should; a) participate in multilateral and related bilateral arrangements for security trade controls against Communist China at least as stringent as those applicable to the European Soviet bloc; b) encourage, to the maximum extent feasible, those countries not participating in multilateral or related bilateral arrangements to maintain unilateral trade controls against Communist China at as restrictive a level as possible."

21. Alternative B: (Supported by other EDAC Agencies.)

(Delete this paragraph.)

21. Alternative C: (Compromise proposed by Commerce and supported by Defense, ODM and Agriculture):

"Seek bilaterally to encourage individual free world countries, wherever feasible and desirable, to maintain unilateral controls towards Communist China at a more restrictive level than are maintained multilaterally."

22. Take all appropriate actions effectively to enforce these controls toward Communist China and to prevent their frustration.

23. (Proposed by MDAC and supported by all agencies except Defense):

"Revise, as appropriate, the Mutual Defense Assistance Control (Battle) Act lists to conform with internationally agreed multilateral control lists."

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